

***Summary of
New and Updated
Budgetary/Legal
Financial Reporting
Requirements***

***Fiscal Year Ended
June 30, 2013***

Summary of Procedure Manual Contents

This document was created to bring attention to those items which are **new and/or updated for fiscal year ended June 30, 2013**. The complete procedure manual is available on the SCO website: http://www.sco.ca.gov/ard_reporting.html, and contains additional general information, sample reports, and detailed instructions for preparing your year-end reports. This is not and should not be a substitute for the full procedure manual.

The following is a summary of what will be included in the full *Year-End Financial Reports Procedure Manual*. The *Manual* consists of the following **nine main** sections:

- ***Important Dates and Filing Instructions:***

- Dates when Controller's documents are available **Updated**
- Due dates for filing the year-end reports **Updated**
- Dates and instructions for reporting revised reports **Updated**
- Mailing addresses that are new for the 2012-13 reporting year **Updated**
- Report Forms Available in EXCEL Format **Updated**

- ***New and Updated Report and Form Requirements*** – this section introduces a new CALSTARS report for encumbrances and provides updated information for existing reports and forms for CALSTARS and Non-CALSTARS departments, as well as other various reminders to help departments successfully meet year-end reporting requirements for both Budgetary/Legal and GAAP Basis reporting for fiscal year ending June 30, 2013:

- CALSTARS Report H14 – Encumbrance Liability Reclassification for SCO **New**
- Report Nos. 7 and 8 – Abnormal Balance(s) Explanations **Updated**
- Report No. 13 – Report of Expenditures for Federal Funds **Updated**
- Report No. 15 Reconciliation of Agency Accounts with Transactions per State Controller **Updated**
- Report No. 22 – Statement of Contingent Liabilities **Updated**
- Categories 90 and 91
- Categories 94, 95, 96, 98, and 99
- GASB No. 54 Fund Balance Reporting **Updated**

- ***Certification Letter*** – Includes new and updated instructions with sample certification letters:

- CALSTARS reports submitted electronically **Updated**
- CALSTARS and Non-CALSTARS reports submitted manually **Updated**
- Sample Certification Letters **Updated**

- ***Special Reports*** – Includes ***detailed*** instructions, criteria, and samples for the following reports:

- Report No. 14 – Report of Bank and/or Savings and Loan Association Accounts Outside the Treasury System **Revised form will be available in June 2013**
- Report No. 18 – Statement of Changes in Capital Assets Group of Accounts **Updated**
- Report No. 19 – Statement of Capital Assets Group of Accounts
- Report No. 22 – Statement of Contingent Liabilities **New Decision Table**

- ***Supplemental Forms*** – Includes detailed instructions and samples for the following:
 - Material Variance Explanation Form **Updated**
 - Due To/From Other Funds//Appropriations Supplementary Information Form **Updated**
- ***Checklists*** – Various reporting criteria checklists to ensure all reporting criteria have been met:
 - Budgetary/Legal and GAAP Reporting criteria checklist
 - Financial Reporting Criteria Checklist
 - Year-End Reports Checklist
 - Financial Statement Checklist for the SCO/DOF Fund Reconciliation **Updated**
- ***Governmental Cost Funds*** – Instructions with corresponding samples for the following:
 - Report No. 1 – Report of Accruals to Controller’s Accounts
 - Reporting of Encumbrances **Updated**
 - Report No. 2 – Accrual Worksheet
 - Report No. 3 – Adjustments to Controller’s Accounts
 - Report Nos. 1 and 3 – Revisions to Accruals and Adjustments to Controller’s Accounts
 - Report No. 4 – Final Statement of Revenue
 - Report No. 5 – Final Reconciliation of Controller’s Accounts with Final Budget Report
 - Report Nos. 7 and 8 – Pre-closing and Post-closing Trial Balances **Updated**
 - Report No. 15 – Reconciliation of Agency Accounts with Transactions per State Controller **Updated**
- ***Nongovernmental Cost Funds*** – Instructions with corresponding samples for the following:
 - Report No. 3 – Adjustments to Controller’s Accounts
 - Report Nos. 7 and 8 – Pre-Closing and Post-Closing Trial Balances **Updated**
 - Report No. 13 – Report of Expenditures of Federal Funds
 - General Obligation Bond Funds
 - Special Deposit Fund
 - Non-Treasury Trust Funds
- ***Frequently Asked Questions and Answers***
- ***Budget Letter 13-02 – BUDGETING AND ACCOUNTING RELATIONSHIP AND COORDINATION***

New CALSTARS Report H14 – Encumbrance Reclassification Report for SCO

Beginning with fiscal year 2012-13, a new report, the Encumbrance Reclassification Report for SCO – H14 is required as a supplement to the CSYDB3-1 for automated statements. Departments are required to provide this supplemental report along with their year-end reports. This report will summarize the encumbrance reclassification entries for SCO

Since the **information on this report is not sent electronically**; The H14 report will be used as an input document and therefore keyed into the system manually by key-data operators. See an example of the report in the year-end procedure manual on page 21.

Report No. 5 - Supporting Documentation Required

Supporting documents are required for budget adjustments increasing or decreasing appropriation balances as reflected on the CSYDB3-1 and/or Final Reconciliation of Controller's Accounts with Final Budget, Report No. 5. The support documentation (i.e., executive orders, budget letters, allocation orders, pending claim schedule, etc.) will allow us to confirm the validity of an amount reported as an increase or decrease in appropriation authority and help us to identify overdrafts for a specific item within an appropriation.

If you are submitting your year-end reports manually and are posting accruals against reverted appropriations with pending claim schedules, indicate the following on the bottom of the Final Reconciliation of Controller's Accounts with Final Budget Report/Agency Records, Report No. 5:

The amount on the "Pending Budget Revisions (BR)/Allocation Orders (AO)/Executive Orders (EO) line in the "Appropriation Balance" column is there to cover an accrual posted for a pending claim schedule.

Report No. 7 - Statewide Assessments

Governmental (CALSTARS and Non-CALSTARS) and Nongovernmental (Non-CALSTARS) Cost Funds:

The administering department or fund administrator of a fund has the responsibility to record and report statewide assessment expenditures on the Report No. 7, although the expenditures are charged under other ORG code(s) for the following statewide projects: SCO – GAAP, SCO – MyCalPAYS, FI\$Cal, and DOF – FSCU. These expenditure assessments are the shared costs associated with statewide projects. Please note that for shared funds, only the administering department will record and report these statewide assessments. Also, refer to the Report No. 15 instructions.

Governmental Cost Funds Only:

- For a **Non-CALSTARS** administering department, "Statewide Assessment" expenditures will be reported in the Expenditure GL 9000 column on the Report No. 15. Total expenditures reported on the Report No. 7 must agree with the total expenditures reported on the Report No. 15.

- For a **CALSTARS** administering department submitting manual financial reports, “Statewide Assessments” will be included in the Report 7 as part of fund balance, and will be reported in the “Statewide Assessment” column on the Report No. 15. Total expenditures reported on the Report No. 7 must agree with the total amount in the expenditure column of the Report No. 15. CALSTARS departments should refer to the CALSTARS Procedure Manual for detailed instructions on how to record the transactions.

Report Nos. 7 and 8 - Abnormal Balance(s) Explanation Required

All abnormal balances reported on the Report Nos. 7 and 8, the Pre and Post Closing Trial Balances, must be explained. All fund types are required to provide an explanation for any abnormal general ledger account balance either as a footnote on the report(s) or on a separate sheet of paper as an attachment.

For departments using CALSTARS, any abnormal balance(s) on the CALSTARS’s G02, Report Nos. 7 and 8, will be identified with an asterisk(s) (*) which indicate explanations are required.

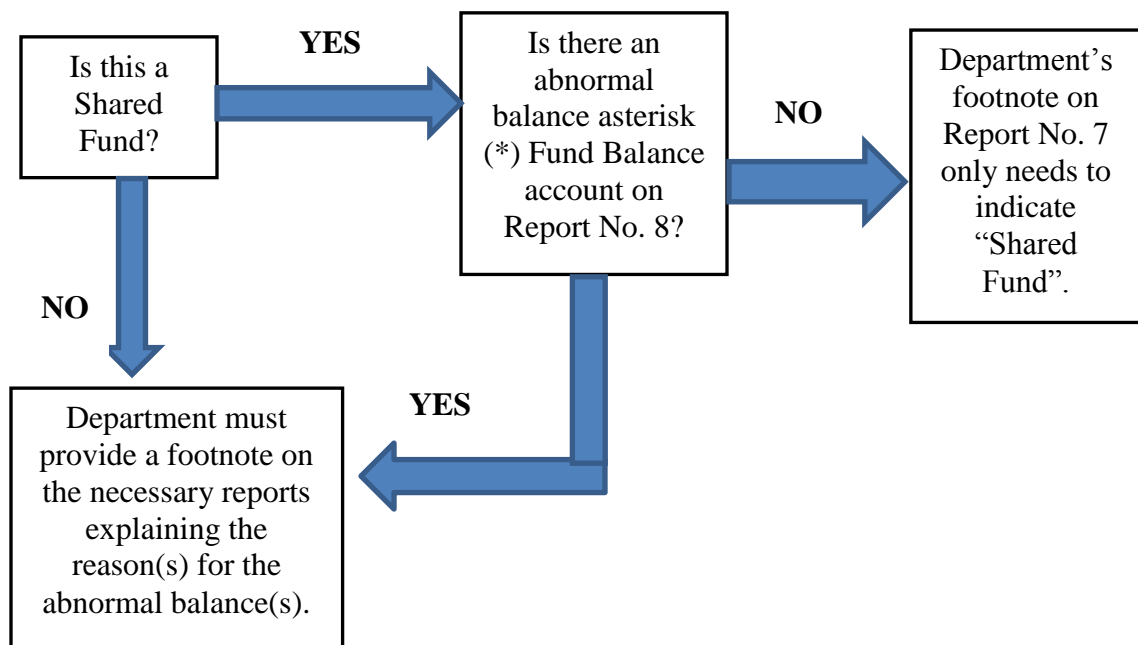
Examples of abnormal balances are as follows:

- Asset accounts with credit balances
- Liability accounts with debit balances
- Revenue and Transfer-In accounts with debit balances
- Expenditure and Transfer-Out accounts with credit balances

The **fund balance** of a fund is the excess of the assets over its liabilities. Normally, the ending fund balance on Report No. 8, Post Closing Trial Balance, for all funds should have either a zero or a credit balance. Funds reporting a debit balance in the Fund balance account must provide a footnote on Report No. 8 or an attachment explaining the negative (deficit) fund balance.

Shared Funds versus Non-shared Funds

Please use the following flowchart to help determine how to footnote an abnormal balance on the Report No. 7 (CALSTARS G02) for **GL 5570 – Fund Balance Clearing Account**:



Report No. 13 – Report of Expenditures of All Federal Funds

- Departments are required to submit:
 - **Original** to the Department of Finance (DOF), Fiscal Systems and Consulting Unit (FSCU)
 - **Copy** of the report to the SCO with their year-end reports.
- For detailed instructions and an illustration of the report, see SAM section 7974.
- Mailing instructions are on page 13 of the year-end procedure manual.

If you have any questions regarding the Report No. 13, contact:

FSCU hotline at fscuhotline@dof.ca.gov or (916) 324-0385 or
CALSTARS hotline at hotline@dof.ca.gov or 916-327-0100.

Federal Trust Fund (0890)

Year-end reports for the Federal Trust Fund (Fund 0890) should **not** be submitted unless there is a zero fund balance. Inflows must equal outflows when accounting for the Federal Funds. There must be a zero fund balance after nominal accounts are closed. If you are accruing revenue or transfers-in (inflows), you should also be accruing an expenditure or transfers-out (outflows).

The year-end Closing Instructions of the CALSTARS Procedures Manual in Volume 7, Chapter V state the following:

NOTE: Fund may have Transfers-In/Out (GL 9811/9812) activity along with other nominal accounts. GL 5530, Fund Balance-Un-appropriated must be zero.

Also, for nongovernmental cost fund reports, and specifically for the Report No. 7 – Pre-closing Trial Balance, GL Accounts 8000, Revenue and GL 9000, Expenditures must equal.

Bottom line: Revenue, Expenditure, and Transfer-In/Out accounts must net to zero.

Report No. 15 –

Reconciliation of Agency Accounts with Transactions per State Controller

Updated For CALSTARS departments submitting manual reports, an additional column for “Statewide Assessments” has been added on Report No. 15. Refer to page 26 of the year-end procedure manual for a revised Report No. 15. Non-CALSTARS departments will enter the amounts in the “Appropriations Expenditures” column. The “Expenditure” column must agree with the amount on the Report No. 7 - Pre-closing Trial Balance.

Report No. 15 should be submitted with a minimum **font size of 10** and on **legal sized paper** when necessary.

Include all nominal general ledger accounts: A column must be included for each nominal general ledger account (GLs 8000-9999) that appears on the Pre-Closing Trial Balance and for statewide assessments, if applicable. Additional columns may be added or unused columns may be relabeled or deleted as needed.

New Statewide Assessments for administering departments/fund administrators only: Enter the amounts for statewide assessments, SCO - GAAP Assessments, SCO – MyCalPAYS, Assessments, FI\$Cal Assessments and DOF – FSCU Assessments, that are charged against the fund by departments other than your own department Org Code. The SCO journal entry for these assessments will display the Org Code of the department assessing the charges (e.g., 0840 for SCO, 8860 for DOF). Do not include statewide assessments on the Report No. 15 for charges recorded against your department’s Org Code, as these types of assessments are charged to your department’s appropriations (e.g. Pro Rata).

- **CALSTARS** administering departments which submit manual reports will enter the statewide assessments in a separate column on the Report No. 15; this column is independent of other figures on the Report No 15. Total amount in the “Appropriation Expenditure” column on the Report No. 15 must agree to total expenditures (GL 9000) on the Pre-closing Trial Balance (Report No. 7). CALSTARS departments should refer to the CALSTARS Procedures Manual for detailed instructions on how to record the transactions.
- **Non-CALSTARS** administering departments will record the statewide assessment as an expenditure and enter the statewide assessment in the “Appropriation Expenditures” column on the Report No. 15. Total amount in the “Appropriation Expenditure” column on Report No. 15 must agree to total expenditures on the Pre-closing Trial Balance (Report No. 7).

An example of the revised Report No. 15 is shown in the year-end procedure manual

Report No. 22 – Statement of Contingent Liabilities

A new table outlining the criteria for determining when to accrue and disclose contingent liabilities has been added to the manual to assist with the preparation of the Report No. 22. These updated guidelines, as well as a sample Report No. 22, are shown on pages 45-47 of the year-end procedure manual.

Category 90 vs. Category 91

For CALSTARS departments, SCO will provide CALSTARS’ Client Support and Training Unit (CSTU) with a list of departments which are allowed to submit their year-end reports with an unscheduled reimbursement CAT 91. Therefore contact the CALSTARS Hotline at (916) 327-0100 or e-mail HOTLINE@dof.ca.gov for CAT 91 account verification, before submitting Category 91 accruals, when CAT 90 exists as a result of reimbursement authority in the Budget Act.

Categories 94, 95, 96, 98 and 99: *do not* submit accruals for these categories.

Program 99 should have a zero balance at the end of the fiscal year.

GASB No. 54 Fund Balance Reporting *Updated*

For new funds and funds created prior to fiscal year 2012 -13, departments must provide the fund balance classifications as required by the Governmental Accounting Standards Board (GASB) Statement No 54 – Fund Balance Reporting and Governmental Fund Type Definitions. The GASB Statement 54 Fund Balance Classification form, instructions, and an example of the completed form are available at http://www.sco.ca.gov/ard_reporting.html.